

Message Text

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16

ACTION EB-11

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E.O. 11652: NA

TAGS: EFIN KS

SUBJECT: EX-IM BANK CFF INCREASE

DEPT PLEASE PASS TO EX-IM BANK

1. SUMMARY: KOREA EXCHANGE BANK PLANNING REQUEST \$50 MILLION CFF LOAN FOR 1973 IN ADDITION \$14 MILLION AUTHORIZED BY EX-IM BANK IN SEPTEMBER WHICH KEB SAYS FULLY APPLIED FOR. EMBASSY BELIEVES KEB PROJECTIONS ONCFF UTILIZATION ARE OVEROPTIMISTIC AND SUGGESTS A SMALLER INCREASE. END SUMMARY.

2. IN SEPTEMBER, EX-IM AUTHORIZED ADDITIONAL \$14 MILLION FOR KOREAN COOPERATIVE FINANCING FACILITY BRING 1973 TOTAL TO \$316 MILLION. KOREAN EXCHANGE BANK (KEB) HAS NOW INFORMED EMBASSY OF THEIR INTENTION TO REQUEST ADDITIONAL \$50 MILLION CFF CREDIT WHICH THEY SAY WOULD BE ALLOCATED IN REMAINDER OF 1973 AGAINST LIST OF APPLICATIONS THEY ALREADY HAVE IN HAND AND ARE EXPECTING. FURTHERMORE, REQUEST FOR NEW 1974 CFF CREDIT OF \$50 MILLION WILL BE PRESENTED TO EX-IM IN EARLY 1974.

3. REVIEW OF KEB DATA INDICATES THAT \$10.8 MILLION OF ALLOCATIONS AGAINST EXISTING \$14 MILLION WERE FOR MACHINERY AND EQUIPMENT, \$132 THOUSAND WERE FOR LIVESTOCK,
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\$1.2 MILLION WAS FOR RAW MATERIALS, AND \$1.8 MILLION WERE

FOR OTHER PRODUCTS.

4. AGAINST ADDITIONAL \$50 MILLION REQUEST, KEB HAS LIST OF ACTUAL APPLICATIONS TOTALING \$43 MILLION. WITHIN THIS TOTAL, \$12.5 MILLION IS FOR INDUSTRIAL AND AGRICULTURAL RAW MATERIALS WHICH MIGHT MORE PROPERLY BE SUBJECT TO EX-IM BANK-GUARANTEED SUPPLIER CREDITS. TWO APPLICATIONS ARE FOR \$1.5 MILLION EACH AND THUS EXCEED THE CFF CEILING. IF BOTH GROUPS TOTALING \$15 MILLION ARE SUBTRACTED FROM THE \$43 MILLION FIGURE MENTIONED ABOVE, THIS LEAVES A BALANCE OF APPLICATIONS OF \$28 MILLION. FURTHERMORE, A NUMBER OF THOSE APPLICATIONS ARE SHADOW APPLICATIONS. IN PRELIMINARY LETTER FORM ONLY, AND MIGHT NOT BE SUBJECT TO CONFIRMING DOCUMENTATION, INCLUDING ACCEPTABLE GUARANTEES.

5. WHEN EX-IM DIRECTOR CLARK WAS IN SEOUL IN OCTOBER, THE KEB PRESIDENT RAISED WITH HIM URGENTLY THE NEED FOR CFF CREDITS IN ADDITION TO THE \$14 MILLION THEN IN PROSPECT. CLARK SAID EX-IM EXAMINATION OF SUCH A REQUEST WOULD REQUIRE SUBSTANTIATING INFORMATION INCLUDING KEB BALANCE SHEETS. WE HAVE REMINDED KEB OF THIS IN CONNECTION WITH THEIR CURRENT REQUEST FOR CFF SUPPLEMENTATION AND WE WERE ASSURED THIS HAS ALREADY BEEN SUBMITTED TO EX-IM.

6. WE ADVISED KEB THAT WE CONSIDER ADDITIONAL AMOUNTS THEY HAVE IN MIND AS BEING OVERLY AMBITIOUS. WE ALSO SUGGESTED IT MIGHT TAKE MORE THAN THE REMAINDER OF 1973 TO OBTAIN ROKG APPROVAL OF AN INCREASED CREDIT IF IT WERE GRANTED BY EX-IM. ON THE LATTER POINT, THEY SAID THE ROKG WELL UNDERSTOOD THE VALUE OF CFF AND WOULD EXPEDITE APPROVAL.

7. COMMENT: WE WOULD RECOMMEND EX-IM GIVE CONSIDERATION TO KEB'S REQUEST FOR A SUPPLEMENTAL CFF CREDIT, BUT AT A MORE MODEST AMOUNT THAN AN ADDITIONAL \$50 MILLION. AN INCREASE OF THE CURRENT \$14 MILLION TO \$40 MILLION WOULD TAKE ACCOUNT OF THE PRACTICAL POSSIBILITIES OF OBTAINING APPROVED CREDIT APPLICATIONS OUT OF THE LIMITED OFFICIAL USE

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ALLEGED "BACKLOG". FURTHERMORE, THE \$40 MILLION COULD BE CARRIED OVER INTO 1974 AS THE BASE CREDIT LINE TO BE CONSIDERED FOR RENEWAL OR SUPPLEMENTATION WHENEVER KEB HAS IN HAND FIRM APPLICATIONS TO COVER THAT AMOUNT.

WE WOULD HOPE THAT A FAVORABLE EX-IM REACTION COULD BE INDICATED WELL IN ADVANCE OF THE PROPOSED

JANUARY VISIT OF EX-IM VICE PRESIDENT JOSEPH RAND WHICH
IS TO SERVE AS AN OCCASION FOR URGING GREATER KOREAN
UTILIZATION OF THE CFF IN BALANCE WITH EX-IM
GUARANTEED SUPPLIER CREDITS.
UNDERHILL

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Disposition Date: 28 MAY 2004
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